

APPENDIX C
SAMPLE INDIRECT COST PROPOSAL FORMAT
SIMPLIFIED ALLOCATION METHOD

This Appendix illustrates the development of indirect costs under the "Simplified Allocation Method" described in Section D.2. of Attachment A in Circular A-122.

The Simplified Allocation Method should be used when all of an organization's major functions benefit from its indirect costs to approximately the same degree. This method should also be used when an organization has only one major function encompassing a number of individual projects or activities. In addition, organizations with a relatively small amount of Federal awards may use this method provided the results are reasonable and equitable to the Government.

APPENDIX C

SAMPLE INDIRECT COST PROPOSAL FORMAT—SIMPLIFIED ALLOCATION METHOD

From Appendix C-1

	Total Expenditures (1)	Less Adjustments	Adjusted Direct Costs	Adjusted Indirect Costs
<i>Functional Groupings</i>				
Research.....	\$373,000	\$68,100	\$304,900	
Public Health.....	531,000	50,000	481,000	
Vocational Training.....	730,000	39,000	691,000	
Community Services.....	855,000	5,500	849,500	
Special Education.....	536,000	122,400	413,600	
General & Administrative Expense.....	975,000	133,000		\$842,000
Fund Raising.....	—0—	(67,000)	67,000	
Totals.....	<u>\$4,000,000</u>	<u>\$251,000</u>	<u>\$2,807,000</u>	<u>\$842,000</u>
			(A)	(B)
<i>Composition of Rate Base</i>				
Federal Training Grants.....			\$300,000 (a)	
Other Federal Awards.....			507,000 (b)	
Non-Federal Projects.....			2,000,000	
Totals.....			<u>\$2,807,000</u>	

(a) Reimbursable indirect cost is limited to 8%.

(b) Reimbursable indirect cost is based on rate(s) contained in the Rate Agreement subject to any statutory or administrative limitations.

COMPUTATION OF INDIRECT COST RATE

$$\frac{(B)}{(A)} = \frac{\$842,000}{\$2,807,000} = 30\%$$

The distribution base used in this example is total direct costs exclusive of capital expenditures and other distorting items, such as major subcontracts or subgrants. However, the organization may use direct salaries and wages or other base which results in an equitable distribution of costs.

APPENDIX C-1

SAMPLE INDIRECT COST PROPOSAL FORMAT—SIMPLIFIED ALLOCATION METHOD

Total Expenditures									
	Direct Cost						Indirect Cost	Total	Note
	Research	Public Health	Vocational Training	Community Services	Special Education	Fund Raising*	General & Adm.		
<i>Elements of Cost</i>									
Salaries & Wages	\$200,000	\$360,000	\$550,000	\$700,000	\$290,000		\$500,000	\$2,600,000	
Employee Benefits	41,000	85,000	82,500	101,000	43,500		115,000	488,000	2
Office & Equipment									
Rental							140,000	140,000	
Repairs & Maintenance							62,000	62,000	3
Materials	34,000	9,000	38,300	12,000	27,700		9,000	130,000	4
Supplies, Postage & Reproduction							41,000	41,000	
Telephone	4,900	2,000	6,200	1,500	2,400		10,000	27,000	5
Professional Services		75,000		10,000	47,000		15,000	147,000	4
Automobile Expenses							35,000	35,000	
Alterations & Improvements	18,000		39,000		46,000			103,000	4
Subcontracts	75,100		14,000	30,500	79,400			199,000	4
Depreciation							7,000	7,000	
Other Expenses							41,000	41,000	
Totals	\$373,000	\$531,000	\$730,000	\$855,000	\$536,000		\$975,000	\$4,000,000	1
<i>Less Direct Cost Adjustments</i>									
Professional Services		\$50,000			\$22,000			\$72,000	6
Alterations & Improvements	\$18,000		\$39,000		46,000			103,000	6
Subcontracts	50,100			\$5,500	54,400			110,000	8
Totals	\$68,100	\$50,000	\$39,000	\$5,500	\$122,400			\$285,000	
<i>Less Indirect Cost Adjustments</i>									
Office Rental							\$12,500	\$12,500	7
Printing and Reproduction							4,500	4,500	7
Materials and Supplies							9,000	9,000	7
Depreciation Expense							900	900	8
Automobile Expense							12,000	12,000	9
Public Information Service							7,000	7,000	10
Contingencies							4,000	4,000	10
Interest							15,000	15,000	10
Gain on Sale of Asset							1,100	1,100	11
Totals							\$66,000	\$66,000	
<i>Reclassifications</i>									
Fund Raising						\$40,000	(\$40,000)	—0—	12
Public Relations						10,000	(10,000)	—0—	12
Maintenance of Membership rolls						17,000	(17,000)	—0—	12
Totals						\$67,000	(\$67,000)	—0—	
Adjusted Costs	\$304,900	\$481,000	\$691,000	\$849,500	\$413,600	\$67,000	\$842,000	\$3,649,000	

* Includes the costs of activities that must be treated as direct costs in accordance with paragraphs B.3 and 4 in Attachment A of the Circular.

SAMPLE INDIRECT COST PROPOSAL FORMAT—SIMPLIFIED ALLOCATION METHOD

1. These amounts are taken from the organization's independently audited financial statements for the year on which the proposal is based. Expenditures reflect the purpose for which costs shown under total expenditures were incurred. They may be identified from (i) the Statement of Functional Expenses which is frequently included with the financial statements, (ii) the accounting records maintained by the organization, or (iii) an analysis of the costs in relation to the operation of the organization.
2. Three fringe benefit rates have been established to recognize the significantly different levels of benefits provided to three classifications of employees: executive, salaried and wage. An example of this difference is pension costs. Pension costs in this example are treated in a significantly different manner for each type classification of employee.

—Executive—full pension coverage, non-contributory.

—Salaried—limited pension coverage, contributory.

—Wage—no pension coverage.

Reclassified fringe benefits are based on the following:

Classification of Employee:	Salaries & Wages		Rate	Fringe Benefits	
	Direct	Indirect		Direct	Indirect
Executive	\$80,000	\$180,000	30%	\$24,000	\$54,000
Salaried	1,270,000	290,000	20%	254,000	58,000
Wage	750,000	30,000	10%	75,000	3,000
	<u>\$2,100,000</u>	<u>\$500,000</u>		<u>\$353,000</u>	<u>\$115,000</u>

In this illustration, the organization has elected to treat fringe benefits as direct costs. Therefore, fringe benefit costs (allocable to the salaries & wages charged directly to grants and contracts) are charged directly to individual federally-sponsored awards. Conversely, if the organization had elected to charge fringe benefits as indirect costs, then fringe benefits could not be charged as direct costs on Federal awards.

NOTE: The requirement for consistent treatment applies equally to other costs (such as, telephone calls, postage, data processing, materials and supplies).

3. In this illustration, repairs and maintenance costs are classified as indirect costs. However, an organization may charge these costs directly to benefiting activities (including Federal awards) by use of specific identification (e.g., by work orders) procedures. Charges for specifically assigned services would be based on a uniform billing schedule designed to recover costs of the repair and maintenance operation. Minor variances between costs and charges may be transferred to "other expenses" and classified as direct costs. If records are not maintained, the total amount (as in this illustration) would be classified as indirect.
4. Specific identification (e.g., requisitions, purchase orders) procedures are used as the basis for charging these costs to benefiting activities (including Federal awards).
5. The cost of long distance calls are charged directly to benefiting activities (including Federal awards). Costs of local calls and monthly service charges are classified as indirect costs.
6. These adjustments correct distortions in the distribution base in accordance with paragraph D.2.c. in Attachment A of the Circular. In this illustration, the amounts charged for professional services and subcontracts represents effort on a single project within each functional grouping. Without an adjustment, an excessive amount of indirect costs would be assigned to these cost elements. In this example, it is presumed that the organization and cogni-

zant Federal agency have agreed that only the first \$25,000 of each professional service agreement and sub-contract should be included in the distribution base. Alteration and improvement costs are capital expenditures which must be removed from the distribution base in accordance with paragraph D.2.c. in Attachment A of the Circular.

NOTE—Only current expenditures should be considered in developing indirect cost rates. Therefore, capital expenditures (e.g., alteration and improvement costs) should be removed from the indirect cost pool. However, the organization may include depreciation or use allowance associated with those assets in accordance with paragraph 9. in Attachment B of the Circular.

7. These adjustments eliminate costs associated with an affiliate or activity otherwise not related to the conduct of the organization's operation. In this illustration, the organization rents space, provides printing and reproduction services and furnishes materials and supplies to an affiliate. Since the proposed indirect costs should only include those costs that are allocable to the organization's operations, the following adjustments need to be made to give recognition to costs not associated with those operations:

Used by the Affiliate

Office Rental.....	\$12,500 (a)
Printing and Reproduction.....	4,500 (b)
Material and Supplies.....	9,000 (b)
	<u>\$26,000</u>

- (a) Represents cost for the space used by the affiliate. In this case, square feet used by the affiliate multiplied by the rental cost per square foot equals the affiliate's share of the organization's office rental costs. If it is impractical to determine the actual cost of the space used by the affiliate, income may be used as a surrogate provided there is no material inequity to the Government.
- (b) Represents estimated costs for printing, reproduction, materials and supplies used by the affiliate. When actual costs cannot be identified, it can be assumed for expediency that the revenue approximates the costs to the extent that the charges are reasonable for the goods and services provided. Alternative procedures would be needed if the revenue was based on a token or nominal amount which had no relationship to the value of furnished goods or services.
8. This adjustment eliminates depreciation of assets donated or paid by the Federal Government (paragraph 9.c. in Attachment B of the Circular), and those facility costs not meeting the test for idle facilities in paragraph 16.b., Attachment B of Circular A-122.
9. This adjustment recognizes the effect of employee payments made for personal use of the organization's automobiles. In this illustration, the organization treated the \$12,000 collected from employees as miscellaneous income rather than a reduction of expenses.
10. These adjustments eliminate unallowable costs identified in Attachment B of the Circular from the indirect cost pool. Examples of unallowable costs include interest expense, entertainment expense, lobbying, bad debts or allowances for doubtful accounts, fines and penalties, losses on Federal or non-Federal projects, provisions for contingencies, and charitable contributions.
11. This adjustment recognizes the gain on the sale, retirement or other disposition of depreciable assets in accordance with paragraph 35 in Attachment B of the Circular. The gain is based on the difference between the amount realized on the assets and their undepreciated basis.
12. Includes labor, fringe benefits and other costs associated with fund raising, public relations, and maintenance of membership rolls that must be classified as direct costs in accordance with paragraphs 8.3 and 4 in Attachment A of the Circular.

STATEMENT OF IN-KIND CONTRIBUTIONS

Donor's Name _____ **Number** _____

Donor's Address _____ Date _____

Basis of Valuation of Donation _____

[illegible]

The above listed items received by: _____

Signature and Date

Number _____

VOLUNTEER'S RECORD OF TIME WORKED

NAME
PROJECT NAME

INSTRUCTIONS: Record hours worked each day, the total for each week and the total for the month.

Week	MON	TUES	WED	THUR	FRI	SAT	SUN	TOTAL
1ST								
2ND								
3RD								
4TH								
5TH								
6TH								
TOTAL HOURS FOR MONTH								
REMARKS:								
VOLUNTEER'S SIGNATURE					SUPERVISOR'S SIGNATURE			